GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:369
ANSWERED ON:27.04.2007
DABBA TRADING
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of Dabba exchange system, a form of illegal trading prevailing in the share-market;

(b) if so, the details thereof;

(c) whether this trading system has expanded to many cities; and

(d) if so, the measures being taken by the Government to check this illegal trading?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.CHIDAMBARAM)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in reply to the Lok Sabha Starred Question No. 369 regarding "Dabba Trading" raised by SHRI RAGHUVEER SINGH KOSHAL and SHRI P.S. GADHAVI for answer on 27th April, 2007

(a) to (d): Illegal trading in stocks outside recognized stock exchanges is loosely called `Dabba Trading`. Since this happens outside exchanges, the details are not available. As and when such instances are reported or come to the notice of SEBI, it takes appropriate action and seeks help from State Governments. For example, it had conducted searches or inspections at a few places in and outside Mumbai in association with NSE in 2003. Based on SEBI's information, Income Tax Department had also conducted searches at a few places in Mathura, Bhuj, Calcutta and Bangalore in 2003. The Union Finance Minister, vide his letter dated October 24, 2005, had urged the Chief Ministers to take urgent steps to stamp out `dabba trading`. SEBI had also written similar letters to the Chief Ministers requesting them to take urgent action in the matter. Pursuant to recent news reports regarding dabba trading in Gujarat, SEBI has written on July 26, 2006 to the Chief Secretary, Gujarat urging the State Government to immediately take all necessary steps to effectively deal with such trading.